

CITY OF FORT SASKATCHEWAN

2017 BUDGET ADOPTION

Motions:

1. That Council approve the 2017 Operating Budget dated December 13, 2016, establishing total operating revenues and expenditures at \$74,225,560, which includes \$16,971,982 for the Utilities Budget.
2. That Council approve the 2017 Capital Budget dated December 13, 2016 establishing total capital revenues and expenditures at \$19,922,433.
3. That Council approve the Fort Saskatchewan Public Library's 2017 Operating and Capital Budget dated June 8, 2016, establishing total revenues and expenditures at \$1,341,143.
4. That Council approve an equal distribution of tax reductions between the residential and non-residential sectors.

Background:

The *Municipal Government Act* (MGA) directs a Council to approve an operating and a capital budget for each calendar year. The budget is the tool used to allocate the City's financial resources and support the various services and programs provided to residents.

Appendix 1 outlines the overall 2017 Operating Budget inclusive of the utility budget and decisions made by Council at this year's budget meetings.

Appendix 2 outlines the overall 2017 Capital Budget incorporating the changes made during this year's budget meetings.

The 2017 Fees and Charges Bylaw will be presented for Council's consideration under separate cover subsequent to adoption of the 2017 Budget. The Fees and Charges Bylaw includes updated utility rates. Based on an average residential monthly consumption of 14 cubic meters, the average residential monthly bill is proposed to increase by \$4.75.

The *Libraries Act* directs a Library Board to prepare an annual budget for Council's consideration. The Fort Saskatchewan Public Library's 2017 Operating and Capital Budget is attached as Appendix 3 and incorporates the City's 2017 grant increase to the Library of \$83,730.

On November 21, 2016, Councillor Blizzard introduced a motion, which was subsequently referred, to equalize the distribution of tax reductions between the residential and non-residential sectors.

Projected Property Tax Changes:

During this year's budget meetings, Council was presented with several options for determining the 2017 property tax rates as follows:

1. A fixed tax split of 59.279% non-residential to 40.721% residential (rounded to 59/41);
2. A fixed tax split of 58.279% non-residential to 41.721% residential (rounded to 58/42);
3. A residential tax increase of 0%;
4. An equal distribution of the tax reductions between residential and non-residential.

A summary of the proposed property tax impacts under the various options is shown in Table 1 below:

Table 1

Tax Split Options	Proposed Annual Change from 2016's Taxes				Residential Split*	Non-Residential Split*
	Residential (Value = \$400,000)		Non-Residential (Value = \$1,000,000)			
	\$	%	\$	%		
Fixed: 59/41 tax split	\$27	1.39%	\$(409)	(4.21)%	41%	59%
Fixed: 58/42 tax split	\$75	3.79%	\$(563)	(5.80)%	42%	58%
Fixed: 0% residential tax increase	\$0	0.00%	\$(320)	(3.30)%	40%	60%
Flexible: equal distribution of tax reductions	\$(40)	(1.98)%	\$(192)	(1.98)%	39%	61%

* Rounded

The property tax impacts are based on a residential household assessed at \$400,000 and a non-residential property assessed at \$1,000,000. For ease of reference, figures for the tax split percentages and property tax dollars are rounded to the nearest whole number. However, for calculation purposes, the actual (non-rounded) figures are used.

The City also collects and remits a provincial education levy and the Heartland Seniors' Foundation levy. The levy amounts will be provided to the City by the spring of 2017, at which time the Property Tax Rate Bylaw will be prepared and presented to Council for approval.

Municipal Comparators:

The following two graphs (Figures 1 and 2) compare Fort Saskatchewan's 2016 residential and non-residential municipal property tax billings to other regional municipalities. For comparative purposes, the figures exclude education and housing requisitions.

Figure 1

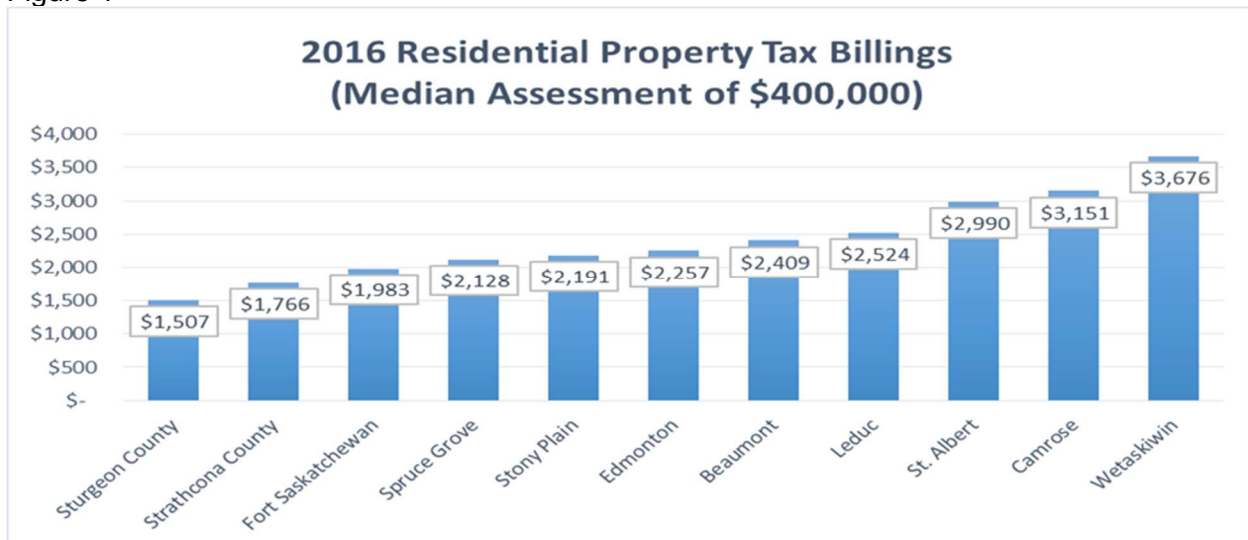
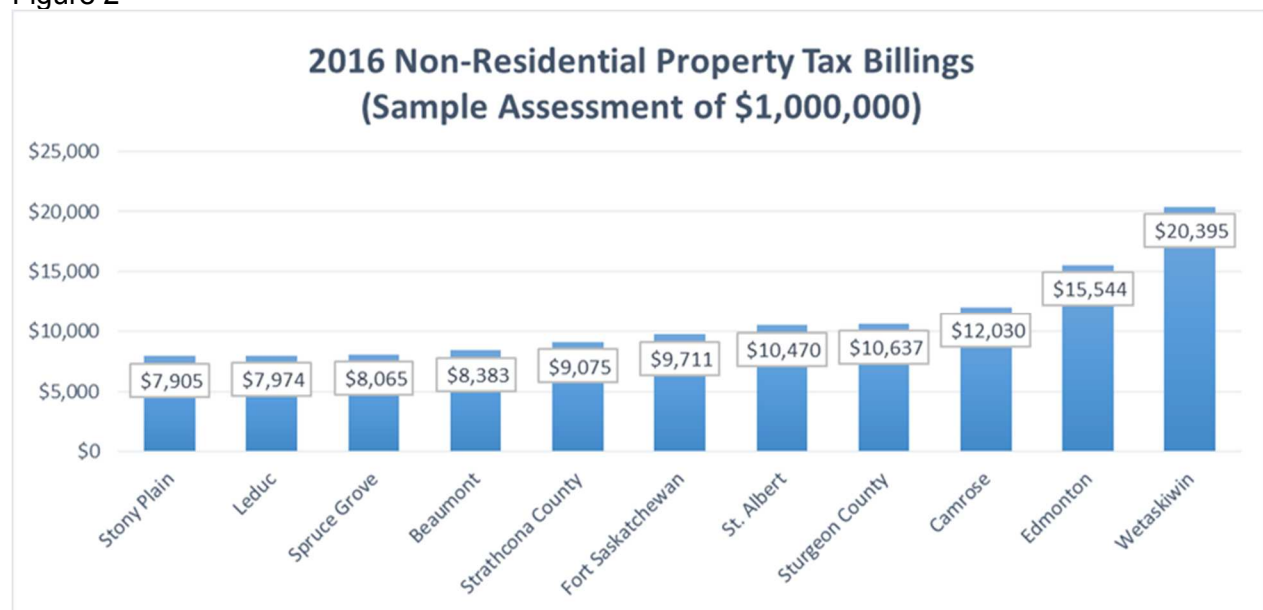


Figure 2



Based on 2016 property tax rates, Fort Saskatchewan ranked third lowest in residential property tax billings with an average household assessed at \$400,000 paying \$1,983 in municipal property taxes. In regard to non-residential property tax billings, the City ranked in the middle of the comparators with a non-residential property assessed at \$1,000,000 paying \$9,711 in municipal property taxes.

Taxation Philosophy:

In 2015, Council began a discussion on the distribution of property taxes between non-residential and residential property classes. The City's tax revenue ratio has progressed from a near 70/30 split in 2006 to a fixed 60/40 split in 2015. Although no policy direction was established, Council did decide to change the ratio for 2016 by one percent to basically a 59/41 non-residential / residential split.

During previous discussion by Council, the concept of fairness of a tax split philosophy has come up. Although a definition of what fairness should look like was not established, it is known that the tax split philosophy is a normal practice within municipalities and one supported through provincial legislation.

The level of property taxation is one of many factors that can impact the retention and attraction of residential and non-residential owners. Some of the other factors include amenities, location, proximity, customer and workforce base, transportation networks and environmental conditions. As shown in this report, for 2016 property taxation in Fort Saskatchewan is one of the lowest in the region for residential and in the middle for non-residential. One benefit that Fort Saskatchewan has over similar mid-sized cities is the amount of industry located within its borders. All these factors put together have contributed to a strong industrial base, a wide range of local businesses, and a diverse, growing residential population within Fort Saskatchewan.

Over the last few years, the City has experienced some challenges with using a fixed tax split especially when growth in one sector outpaces the growth in another. Although other municipalities use a tax split system many are based on a flexible concept, meaning that any

increase or decrease in taxation is shared between the two sectors. Needless to say more discussion, research and analysis is required to determine the best solution for Fort Saskatchewan.

Based on the information presented, Administration recommends that in 2017 Council set aside a number of workshops to explore what the best solution is for Fort Saskatchewan regarding a tax split philosophy. Further until such a philosophy is established, for 2017 an equal distribution of the tax reduction be applied to the residential and non-residential sectors.

Recommendations:

1. That Council approve the 2017 Operating Budget, Capital Budget and Library Budget as presented.
2. That Council approve an equal distribution of tax reductions between the residential and non-residential sectors.

Enclosures:

1. Appendix 1 - 2017 Operating Budget
2. Appendix 2 - 2017 Capital Projects
3. Appendix 3 - 2017 Fort Saskatchewan Public Library Operating and Capital Budgets

File No.:

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Submitted to:	City Council	Date: December 13, 2016